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Review of the efficiency of the administrative and financial functioning of the United Nations

Financing of the United Nations Angola Verification Mission and the United Nations Observer Mission in Angola

Procurement reform and measures taken to improve procurement activities in the field

Report of the Advisory Committee on Administrative and Budgetary Questions

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the Secretary-General on procurement reform (A/55/127), submitted pursuant to General Assembly resolution 54/14 of 29 October 1999. The Committee also considered the report of the Secretary-General on the measures taken to improve procurement activities in the field (A/54/866), submitted in accordance with the request made by the General Assembly in resolution 54/17 of 29 October 1999. During its consideration of the reports, the Committee met with representatives of the Secretary-General who provided additional information and clarification.

Procurement reform (A/55/127)

2. **The Advisory Committee commends the Secretary-General for the efforts made and measures taken to reform and improve the procurement functions at Headquarters, as seen in the responses contained in document A/55/127 to the requests made by the General Assembly in its resolution 54/14, and as communicated orally to the Committee during its consideration of the report. The Committee encourages the Secretary-General to include information on such initiatives in subsequent reports, as well as an indication of areas where further improvements can be achieved. The Committee also recommends that, when referring to specific General Assembly requests, statistics be included, where possible, to support the information provided.**

3. The Committee notes that the goals of the initiatives include the following: to further enhance transparency, to streamline the procurement process, to improve geographical spread, to become more customer oriented and to achieve greater accountability.

4. The Committee notes that key changes have been made in the Procurement Division's Internet/Intranet web site, allowing dissemination of information through electronic means in addition to that available through traditional means, and also providing a management tool which allows the monitoring of the system and increases the accountability of staff involved in the process.

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5. The Committee notes that the improvements to the web site include comprehensive information on the Procurement Division and the procurement functions of the Organization, including organizational charts and contacts, guidelines that sum up the process, lists of all systems contracts, and the text of the procurement manual with revisions posted simultaneously. The system in place allows for the posting of contract awards on a daily basis and in detail (names, addresses of vendors, value of each contract), and provides an instrument to track requisitions. **The Committee is of the opinion that experience with the Internet site should be shared with other entities of the United Nations system, in particular the funds and programmes, as indicated by the Committee in its report to the General Assembly at its current session on the report of the Board of Auditors. The Committee also requests the Secretary-General to ensure that the information contained in the web site is updated on a regular basis.**

6. **In view of the considerable decentralization in peacekeeping procurement and the fourfold increase in delegated authority, from $50,000 to $200,000, the Committee remains convinced that the Secretary-General must ensure that there is capacity at the receiving end to perform the procurement functions properly, as well as a mechanism at the central level to monitor those capacities. In this regard, the Committee recalls the comments made in its report on the report of the Board of Auditors (A/54/801, para. 19), where it indicated that in view of the decentralization in peacekeeping procurement and increase in delegated authority, Headquarters should have an effective and efficient mechanism for monitoring procurement in the field. Moreover, the workload and functions of all relevant units involved in the procurement process should be assessed to guarantee that each is planning and performing with optimum efficiency; proper training for improving the skills of personnel involved in the procurement process must be ensured.**

7. In paragraph 27 of the Secretary-General's report (A/55/127), a number of initiatives taken by the Procurement Division to increase the procurement of goods and services from developing countries and countries with economies in transition are indicated. The Committee notes, as indicated therein, that a number of seminars (21 of 24 in such countries) will be held as a result of a combined initiative between the Procurement Division and host countries. A schedule for 2000, provided, upon request, to the Committee is annexed to the present report. The Committee was informed that this list includes all seminars scheduled, including those initiated, organized and funded by host countries.

8. **The Committee believes that the Procurement Division must ensure that its human and financial resources are adequate to allow it to fully comply with the terms of General Assembly resolution 54/14.** In this regard the Committee was informed, upon request, that for the biennium 1998-1999, the travel budget for the Division amounted to $8,000 and for the biennium 2000-2001 it amounts to $71,000. The Committee was also informed that the Procurement Division intends to seek some increase in its travel budget for the next biennium to enable other staff members to accompany their more senior colleagues as "on-the-job" training on procurement briefing; this would help ensure that the limited management capacity in the Division is not overly taxed, as it currently is owing to the great increase in procurement for peacekeeping this year. The Committee was informed that additional staffing requests would be considered only if the increase in workload is expected to extend over a longer period of time.

9. Section VIII of the report refers to the question of preferential treatment of vendors from developing countries and countries with economies in transition, taking into account the experience, in this regard, in the funds and programmes of the United Nations and other intergovernmental institutions, as requested by the General Assembly in its resolution 54/14. **On the basis of the reply contained in paragraph 26 of the Secretary-General's report, the General Assembly may wish to consider issuing further policy guidelines if the matter is to be pursued.**

10. As regards the request made by the General Assembly in paragraph 29 of resolution 54/14, the Committee notes from the response given in the Secretary-General's report that the revision of the financial regulations relating to procurement has been completed in draft form, and is currently under review and approval by the Department of Management, which plans to issue the overall package of revisions. The Committee was further informed that the Secretariat expected to issue the revisions before the end of 2000 as indicated in the report. The Committee was also

informed, upon enquiry, that this revision is the first step of a two-step process.

11. The second step, which is not covered in the Secretary-General's report, and which it is anticipated will be implemented beyond 2000, relates to an entirely new set of procurement-related regulations and rules proposed by the Common Services Working Group on Procurement, containing two substantive changes, namely, the appointment of a Chief Procurement Officer who, acting on the delegated authority of the Secretary-General, would be responsible and accountable for all procurement policies and practices, and the inclusion of the "best value" concept in the procurement process. As further indicated to the Committee, this concept would replace the present criteria of "lowest acceptable bid" in the evaluation of offers by factoring into the evaluation other relevant criteria, besides price, that determine true value, such as life cycle and maintenance costs.

12. These proposed common procurement-related financial regulations and rules were recently adopted by the United Nations Development Programme (UNDP), the United Nations Population Fund (UNFPA) and the United Nations Office for Project Services after approval by the UNDP/UNFPA Executive Board. **Under the circumstances, the Advisory Committee requests that the Secretary-General provide clarification and greater detail on this initiative to the Fifth Committee so that the General Assembly may take appropriate legislative note of his intentions in this regard.**

13. Paragraph 33 of the Secretary-General's report refers to the system to measure the efficiency and cost-effectiveness of the procurement function requested by the General Assembly. The Committee notes that there is no mechanism or methodology to measure the performance of the procurement function within the United Nations system at present. The Committee was informed that this matter is currently being reviewed with the help of outside expertise.

Measures taken to improve procurement activities in the field (A/54/866)

14. The Committee recalls that the General Assembly in its resolution 54/17 called upon the Secretary-General to provide additional information on measures taken to improve procurement activities in the field and to enhance control and accountability, within the context of his report on management irregularities (requested by the Assembly in resolution 53/225). The Committee notes that a follow-up report on management irregularities causing financial losses to the Organization has been submitted by the Secretary-General (A/54/793). The comments and observations of the Committee in this regard will be submitted to the General Assembly at its current session.

15. In resolution 54/17 the General Assembly also requested the Secretary-General to submit a report, prior to the second part of its resumed session, providing a concrete plan to correct procurement-related problems in peacekeeping operations, which should include (a) remedial measures taken to address problems identified with regard to the United Nations Observer Mission in Angola and other peacekeeping missions; (b) standardization of the corrective measures taken for existing and future peacekeeping operations; (c) a description of how accountability was pursued in the cases of individuals found to have engaged in fraud, mismanagement or abuse, and how accountability measures would be applied in the future.

16. The Committee notes that the report submitted by the Secretary-General (A/54/866) refers to these aspects in a general way, mostly providing the symbols of several reports which have dealt with or addressed these issues. Although the Committee is aware of those reports and their content, and of the initiatives and measures taken as indicated therein, it is of the opinion that the request for "a concrete plan" to correct those procurement-related problems could have warranted a presentation in the Secretary-General's report in a unified, comprehensive and detailed manner.

Annex

List of business seminars/meetings attended and proposed for 2000

Schedule	*Location*	*Number of participants*
February	Paris	[a]
February	Montreal, Canada	100
March	Chicago, United States of America	[a]
April	Mexico City	63
May	Beijing	250
May	Santiago	90
June	South Africa	
	Johannesburg	170
	Port Elizabeth	45
	Cape Town	75
	Durban	50
	Nairobi	203
	Kampala	68
	Addis Ababa	70
	The Hague	114
September	Moscow	
	Saudi Arabia	
	Riyadh	
	Dhahran	
	Jeddah	
	Guangzhou, China	
	Seoul	
	Yaounde	
	Abuja	
	Cairo	
November	Delhi	
	Italy (postponed to February 2001)	
December	Montevideo	
	Buenos Aires	

[a] Number of participants not available